

THOMAS J. MCKENNA(TJM 7109)
Gainey & McKenna
143 W. 29th St., 12th Floor
tel (212) 760-1700
fax (212) 760-2400

Hearing Date:
February 21, 2001
10 am

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

----- X
In re

Chapter 11

RANDALL'S ISLAND FAMILY GOLF
CENTER, INC., et al

Case No. 00 B 41065 (SMB)

Debtor.

-----X
SUPPLEMENT TO OBJECTION OF MAHARAJ K. AND GIRJA R. JALLA TO
CONFIRMATION OF ASSUMPTION AND ASSIGNMENT OF LEASE

MAHARAJ K. AND GIRJA R. JALLA (the "Jallas"), by counsel, submit this supplement to the OBJECTION OF MAHARAJ K. AND GIRJA JALLA TO THE CONFIRMATION OF ASSUMPTION AND ASSIGNMENT OF LEASE of the unexpired lease between the Jallas, as landlord, and the Debtor, as tenant (the "Jalla Lease"), for the leased property located at 1805 Michael Faraday Drive, Reston, Virginia 20190 (the "Jalla Property"), and in support of this supplement state as follows:

1. On May 8, 1995, the Reston Ice Forum entered into the Jalla Lease for the Jalla Property and subsequently assigned the Jalla lease to the Debtors. The Jalla Property is located near the Skating Facility and was leased for use as overflow parking.
2. The Jalla Lease is a very unusual 99 year lease drafted by the tenants counsel and was intended to be a temporary lease until the Debtors subdivided the Leased Property (1.3 acres) from the balance of the Jalla Property (3.5 acres)

3. The intent to subdivide was communicated by the Reston Ice Forum to the Jallas by the Reston Ice Forum prior to entering into the Jalla Lease and the aforesaid subdivision is expressly referred to in the Jalla Lease. The Reston Ice Forum subsequently assigned its interest in the Jalla Lease to the Debtors and the subdivision process was never commenced. This is causing a hardship for the Jallas because the Leased Property is part of a larger parcel owned by the Jallas and with the Jalla Lease in place it is difficult to develop the balance of the parcel.

4. The Debtors filed a petition in Bankruptcy on or about May 4, 2000 and got numerous extensions for the Debtor to assume or reject certain leases including the Jalla Lease.

5. On or about January 17, 2001, the Jallas received notice ("Notice") that there would be an auction of certain of the Debtor's leases including the Jalla Lease. Included in the Notice was the bidding procedure to be followed by the Debtors and the bidders.

6. In Exhibit A of the Notice there were a list of assets including property #603, which included a lease on two parcels - Parcel 1, owned by Reston Property Investors LP("Skating Rink Lease"), and Parcel 2, Jalla's parcel. Both parcel 1 and parcel 2 were leased to the Debtor.

7. The Notice announced that there was a hearing on January 18, 2001 to discuss any objections to the bidding procedure.

8. The Notice was received by the Jalla's attorney, Rocco DeLeonardis

(“Jalla’s Attorney”), on January 19, 2001.

9. On or about the week of January 22, 2001, Jallas’ Attorney spoke with John Flaxer (“Debtor’s Counsel”) Debtor’s Counsel to confirm that the Jallas were going to be permitted to bid separately on their lease without having to bid on any other lease.

10. The foregoing was agreed to by Debtor’s counsel and, consequently, there was no need for an objection to the procedure.

11. On or about February 1, 2001, Jalla’s Attorney sent a letter to Debtor’s Counsel confirming the mutual understanding that the Jallas would be able to bid separately on their lease.

12. On or about February 9, 2001, the day of the auction, Mr. Jalla and Jalla’s Attorney confirmed in person with the Debtor’s Counsel that the Jallas were going to be permitted to bid separately on their lease.

13. At the Auction the bidding for property 603 went as follows:

- Upon information and belief the highest sealed bid from bidder 212 of \$1.25 million was a combined bid for the Skating Rink Lease and the Jalla Lease.
- Upon information and belief the high bidder did not include separate bids for the Jalla Lease and the Skating Rink Lease.
- The auctioneer opened the bidding by asking for an opening bid of \$1.3 mil for both the Jalla Lease and the Skating Rink Lease since the highest sealed bid was \$1.25 million. (page 128 line 5)
- No one bid \$1.3 million. (page 128 line 5)

- The auctioneer took second place bids, noting that there was a tie for second at \$250,000 (page 128 line 14).
- Bidder 223, Mr. Jalla, bid \$260K (page 128 line 20).
- Bidder 250 attempted to place separate values on the two separate leases by placing a “\$600,000 bid on one of the parcels and there’s a 250 bid on the other parcel” (page 129 line 3) .
- Debtor’s Counsel clarified that there were two parcels and asked bidder 250 to specify which amount was for which parcel and bidder 250 allocated “a \$600,000 bid on the rink and \$250,000 bid for the parking lot.”(page 129 line 7)
- Bidder 212 came to the microphone and made what he called a “point of correction”, and claimed that he asked if he could bid separately and he was told that the two parcels were part of the same property. (bidder 212 ended up being the high bidder) (page 129 line 14)
- The auctioneer responded “we are going to take the bids in on the separate parcels. It’s understood that your bid was further than both of them together and we will evaluate and come back to the issue”(page 129 line 18)
- The forgoing comment by the Auctioneer made reference to both parcels but here was no bid on both properties together other than by bidder 250.
- The auctioneer promptly proceeded to add up the two bids for the two leases from bidder 250 and said “your bid for both parcels is \$850,000, is that correct?” Bidder 250 said “yeah.” (page 129 line 25)

- The Auctioneer then asked if bidder 250 if he wanted to raise the bid for second place, but Bidder 250 passed (page 130 line 6).
- The Auctioneer asked bidder 160 if he was bidding on the parking lot alone. Bidder 160 said that he was bidding on the building and passed (page 130 line 7)
- The Auctioneer said that the high bid on property 603 was \$1.25 million and the second bid was \$850 and promptly closed the bidding on both leases (page 130 line 15).

14. At no point in the auction did the auctioneer place the Jalla Lease or the Skating Rink Lease up separately for bid to the bidders.

15. At no time during the auction did the auctioneer establish a separate price for the Jalla Lease and the Skating Rink Lease.

16. Jalla, therefore, had no way of knowing what he was bidding against for the Jalla Lease and had no opportunity to be the highest bidder.

17. The Jallas Attorney did not make a formal objection at the auction because the Debtors counsel publicly made it clear in the beginning of the auction that the auction was not the correct forum to object to procedure. He went so far as to say if anyone objected they could be removed from the room.

18. In fact, the only allocation of value for the separate leases was given by bidder 250, but this separate allocation was quickly combined into a second place bid by Debtor's counsel.

19. On other occasions in the Auction when the auctioneer solicited bids for

combined parcels, he was careful to establish a bid for each parcel separately and a total combined bid for the combined parcels. see pages 94 through 100 of the transcript.

20. On or about February 13, 2001, Jallas Attorney contacted Jackie Veit, Esquire of Debtor's Counsel, who said that it was her recollection (later proven to be incorrect) that a separate bid price was established for the Jalla Lease and a separate bid price was established for the Skating Rink Lease. As shown in the transcript, this was not true.

21. The leases should have been bid separately because:

- a. The bidding procedure indicated that a value should be place on each lease asset.
- b. The interpretation of the bidding procedure given to Jallas Attorney regarding property 603 on three occasions prior to the auction was that the two leases should be bid separately (once on the phone, once confirmed in writing by Jallas attorney, and once in person just prior to the auction).
- c. The intention of the Debtor's counsel at the auction appeared to be that the leases were to be bid separately.
- d. After the Auction the Debtor's counsel believed that the leases were bid separately and made such representations to the court on Feb 16, 2001.
- e. The leases were never bid separately due to a mistake of Debtor's Counsel.

22. The Jallas came to the auction prepared to bid on their lease separately, but were denied this right.

23. The Jallas stand ready to bid on the Jalla Lease separately, and perhaps, on both leases if the auction is conducted in accordance the Bidding Procedures.

24. The failure to allow the Jallas to bid on their lease separately, the failure to establish a separate bid price for the Skating Rink Lease and a separate bid price for the Jalla Lease, the failure to allow the landlord of the Skating Rink to bid on its lease separately, and the failure to comply with the court-approved Bidding Procedures, all harmed the Jallas and, potentially, the bankruptcy estate by producing less money for the estate.

FOR THE FOREGOING REASONS, the Jallas request that the Court deny confirmation of the assumption and assignment of the Jalla Lease and the Skating Rink Lease and: 1. allow the Jallas and bidder 212, five days to discuss renegotiating the Jalla Lease; or 2. in the absence of an agreement between the Jallas and bidder 212 on renegotiating the Jalla Lease, conduct another auction on property 603 insuring that bidders are allowed to submit separately for each lease and that a high bid is established for each lease.

MAHARAJ K. JALLA
GIRJA R. JALLA
By counsel

/s/ Thomas J. McKenna
Thomas J. McKenna (TJM 7109)
Counsel for the Jallas
GAINEY & MCKENNA
143 W. 29th Street, 12th Floor
New York, NY 10001
tel (212) 760-1700
fax (212) 760-2400

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Objection was sent by fax and US mail this ____ day of February, 2001, to:

Jonathan L. Flaxer, Esquire, Counsel for Debtor,
Golenbock, Eiseman, Assor & Bell
437 Madison Avenue
New York, NY 10022
fax (212) 907-0777

Morgan, Lewis & Bockius
101 Park Avenue
New York, NY 10178
fax 212-309-6273

Berlack, Israels & Liberman
120 W 45th Street
New York, NY 10036
fax 212-704-0196

Keen Consultants
60 Cutter Mill Road, Suite 407
Great Neck, NY 11021
Fax 516-482-5764

Family Golf Centers, Inc.
538 Broadhollow Road, Suite 410E
Melville, NY 11747
Fax 631-694-1935

/s/Thomas J. McKenna
THOMAS J. MCKENNA (TJM 7109)